

Public Service Commission of South Carolina

Accountability Report

Fiscal Year 2000-2001

Section I – Executive Summary

A major achievement of the Public Service Commission was the implementation of a Universal Service Fund as mandated in the South Carolina Telecommunications Act of 1996. This fund ensures that telecommunications service will be provided to South Carolinians living in high-cost and rural areas. The Commission also determined the allowable costs for operating the low-level radioactive waste disposal site in Barnwell. Revenues collected above the allowable costs will support education in South Carolina. Major achievements also occurred in upgrading our information systems. Improvements were made to the Docket Management System that provides an electronic data base for Commission dockets. These improvements provide better and quicker access to this information. Efforts are currently being made to allow the public to electronically access this information. A customer complaint tracking system was developed for the Consumer Services Department. This system provides for better tracking of complaints and for analysis of trends. The entire information system of the Commission is in the process of being upgraded to a new, more efficient network and new, more efficient work stations.

The mission of the Public Service Commission is "...to carry out the regulatory functions and responsibilities set forth for it by the laws and policies of the State of South Carolina pertaining to the utility and transportation companies through a dynamic and proactive regulatory process reflecting the increased competitive nature of the companies within the nation and this State while seeking to best serve the needs of all the citizens of the State and also while encouraging a sense of satisfaction and accomplishment for employees." The Commission must balance the interests of the companies over which it has jurisdiction with the interests of the consumers. Such a balancing of interest requires high quality analyses and detailed knowledge of issues by the Commissioners and staff. Because the Commissioners and staff must utilize confidential and sensitive information, Commissioners and staff must exhibit a high level of integrity to earn and maintain the level of trust and respect from all constituents that is necessary to fulfill the responsibilities of the Commission. Commission employees must also have compassion if they are to effectively assist complainants in solving problems.

As the utility industry becomes more competitive and more technology oriented, a higher level of technological knowledge and abilities is required of Commission employees. This technical knowledge must extend to the operations of the companies regulated by the Commission. Obtaining and maintaining the required technical knowledge and skills will be a challenge. Current employees receive training both internally and from outside organizations. Web-based training programs are being explored by the Information Systems Department. New employees will be required to have technical skills as a condition of employment. Obtaining the detailed technical knowledge of specific companies and industries is accomplished through meetings, seminars, hearings, presentations, reading, and, most importantly, frequent interaction with the companies.

The utility regulatory environment is no longer the static traditional return-on-ratebase environment of the past. Rapidly changing technology combined with Federal and State statutes that are transforming the utility industry from monopoly to competition create a dynamic environment. The Commission needs highly-trained employees and

flexibility to function in this environment. An ever increasing and complex workload is being placed on Commission employees. Budgetary constraints make it difficult to attain the staffing level that is needed to fulfill the Commission's mission and to hire the highly-skilled, technically-competent employees that will be required. The statutes that dictate the Commission's responsibilities and authority are a major detriment to the effectiveness of the Commission. Governing statutes date to the 1920s and have not changed significantly since their inception. The tedious, cumbersome, and difficult process of changing the statutes virtually ensures that the Commission will not have the flexibility to address the rapidly changing complex issues that arise in the current environment and will continue to arise in the future.

Section II – Business Overview

The Public Service Commission is an off-budget regulatory agency consisting of 84 employees. Its offices are located in the first floor of the Saluda Building in the Synergy Business Park in Lexington County. The street mailing address is 101 Executive Center Drive, Suite 100, Columbia, SC 29210.

Actual expenditures for fiscal years 1999-2000 and 2000-2001 and appropriations for fiscal year 2001-2002 are shown in the following table. The utilities regulated by the Public Service Commission are assessed to provide funding for the Commission.

	FY 99-00 Actual Expenditures		FY 00-01 Actual Expenditures		FY 01-02 Appropriations	
Major Budget Categories	Total Funds	Other Funds	Total Funds	Other Funds	Total Funds	Other Funds
Personal Service	3,552,503	3,552,503	3,869,503	3,869,503	4,056,336	4,056,336
Other Operating	1,302,393	1,302,393	1,540,240	1,540,240	1,497,420	1,497,420
Special Items	0	0	0	0	0	0
Permanent Improvements	0	0	0	0	0	0
Case Services	0	0	0	0	0	0
Distributions to Subdivisions	0	0	0	0	0	0
Fringe Benefits	872,910	872,910	993,459	993,459	1,017,676	1,017,676
Non-recurring	0	0	0	0	0	0
Total	5,727,806	5,727,806	6,403,202	6,403,202	6,571,432	6,571,432

As a regulatory agency, the key customers of the Public Service Commission are the utilities subject to the jurisdiction of the Commission and the public who are served by these regulated utilities. The Commission has jurisdiction over four electric utilities, four natural gas utilities, two-thousand telecommunication utilities, and seventy-four water/wastewater utilities. The Public Service Commission also serves the South Carolina Legislature as a source of information concerning utility regulatory issues. During fiscal year 2000-2001, the Legislature mandated that the Commission determine the allowable costs for operating the low-level radioactive waste disposal site in Barnwell. The Public Service Commission also develops emergency energy plans and staffs the Energy Emergency Service Function at the Emergency Operations Center during emergencies such as hurricanes and floods.

Although the Public Service Commission is an off-budget agency, it is subject to the State purchasing requirements. Dell won the contract to provide computers to the Commission. The Office of Information Resources provides telecommunications service to the Commission.

The statutory mandate of the Public Service Commission is to balance the interests of the regulated utilities and the ratepayers to ensure that the rates charged by the utilities are just and reasonable. The Commission also ensures that service quality standards are maintained and that utility customers are treated fairly. Since the passage of the Telecommunications Act in 1996, the Commission gained the added responsibility of ensuring that the incumbent local exchange carriers open their markets to competitors on nondiscriminatory terms. As a result of State legislation, the Commission is the administrator of the Interim Local Exchange Carrier Fund and the State Universal Service Fund. Commission determinations generally take the form of orders after public hearings are held. The Commissioners make their determinations in weekly public meetings. Complaint resolutions may require hearings, but complaint hearings are held only after Commission attempts to resolve complaints among the parties are unsuccessful. The Commission also regulates the “for hire” hauling of passengers, household goods, and hazardous waste. It also promotes safety through railroad inspections and natural gas pipeline inspections. During fiscal year 2000-2001, the Commission held 173 hearings and 47 Commission meetings, issued 765 orders, processed 4,798 complaints, and received 37,674 inquiries over the WATTS line.

Seven Commissioners elected by the Legislature for four-year terms are responsible for all Public Service Commission policies and activities. The terms of each Commissioner are concurrent with all four-year terms having the same beginning and ending dates. An Executive Director serving at the pleasure of the Commissioners manages the day-to-day operations of the Commission. Eight departments perform the daily duties of the Commission: Administration, Auditing, Consumer Services, Information Systems, Legal, Research, Transportation, and Utilities. All departments, except Administration, have a manager reporting directly to the Executive Director. The Utilities Department is further divided into electric, gas, telecommunications, and water/wastewater. Each of these is managed by a chief reporting to the Manager of Utilities. The natural gas inspectors are assigned to the Utilities Department. Household goods carrier inspectors and railroad inspectors are assigned to the Transportation Department.

Section III – Elements of Malcolm Baldrige Award Criteria

Leadership:

Senior leadership is the crucial driver of direction, and monitoring performance excellence. Gary Walsh has been Executive Director of our regulatory agency since October 1998. Effective June 1, 2000 his management team consists of eight managers who lead the eight Departments. The administrator of each of the departments provides leadership and direction to accomplish the vision, mission and action on the strategic issues important to the agency's success.

The agency's mission statement describes what regulatory functions and responsibilities set forth for it by the laws and policies of the State of South Carolina. It is found in the executive Summary and the Strategic Planning discussion. Management led the process of achieving stated goals. Each of the goals is identified below to identify the priorities against which we'll measure our progress.

1. Seek to ensure that the citizens of the State receive appropriate levels of customer satisfaction and quality of service for those services provided through the entities regulated by this Commission.
2. Seek to ensure that consumer problems, issues, and complaints are sufficiently monitored and addressed.
3. Seek to ensure that within a more competitive utility environment that core or captive customers with little market power are not unduly burdened with the costs of competition and are provided appropriate service and service options.
4. Seek to encourage innovation through the enhancement of Commission processes and the attainment of self-actualization by Commission employees through empowering these employees to carry out their responsibilities and rewarding them for their contribution to the attainment of Commission goals.
5. Seek to modify the organizational process of the Commission in such a manner as to provide for the incorporation of project teams to address specific complex short-term issues that arise as a result of the dynamic nature of the utility industry regulated by this Commission.
6. Provide an open, accessible and efficient regulatory process which is fair, cost effective and unbiased, while also exploring alternative methods of regulating the entities subject to the Commission's jurisdiction.
7. Seek to ensure that the regulatory process results in fair and reasonable outcomes.
8. Encourage efficiency, innovation, and technological growth among regulated entities.
9. For the regulated entities, facilitate the provision of safe services at levels of quality and reliability which satisfy customer needs.
10. Seek to ensure that all regulated entities' services to consumers comply with all legal requirements subject to the Commission's jurisdiction.

Our values represent our guiding principles about which we care most as we carry out our mission. Senior leadership not only models these beliefs, but also clearly and consistently articulates these values throughout the organization. Our intent is to demonstrate these beliefs in all our dealings with the consumer and regulated utility. These values include: customer focus, equal treatment, integrity, continuous improvement, informed decision making, knowledge, teamwork, open communication, and recognition.

Our agency's belief is that to best serve the public and the regulated utilities is through a knowledgeable work force. Learning opportunities include training of employees in the use of computers and computer software to membership and participation in national forums such as the National Association of Regulated Utilities (NARUC).

Our agency actively supports community groups, such as the United Way, the Good Health Appeal, the March-of-Dimes Walk, the Relay-for-Life Vigil, the Adopt-a-Highway program, Red Cross Blood Drives, Pennies for Tots, and a Commission Benevolent Fund. Our employees are actively in the community educating the public to our goals and responsibilities. These activities include presentations to community groups and schools, creating and distributing informational pamphlets, and staffing an information booth at the South Carolina State Fair and the Carolina Sportsman's Classic.

Strategic Planning:

The regulatory climate today is very dynamic and can be best addressed through a proactive regulatory process that reflects the increased competitive nature of the companies within the nation and this State while seeking to best serve the needs of all of the citizens of the State. To best serve the consumers of this State our agency developed a plan that incorporated the development of consumer education information. This information addresses several issues affecting the consuming public today. Examples are the National Safe Water Drinking Act and the movement toward restructuring of the Electric Industry.

The Public today is faced with a tremendous amount of energy and telecommunication options. Along with these many choices and/or options, our agency has implemented learning and training process to guide/assist customers in understanding their options and how their monthly bills/statements reflect this information. The methods for distributing information are discussed further in the Customer Focus discussion.

Commission participation in organizations such as NARUC and the Nuclear Waste Strategy Coalition helps to keep the Commission abreast of the ever increasing and ever changing critical issues faced by utility regulators. A major responsibility of the Research Department is to inform the commissioners and staff of current and emerging issues that could impact the regulatory environment and to assess the potential impacts on our jurisdictional utilities, the Commission, and the people of South Carolina.

Customer Focus:

Through our strategic planning, our customer and stakeholder groups have been identified as individuals and businesses acquiring the services provided by our regulated utilities, citizens of our state who would be affected by the unsafe operation of utility

services, and utilities authorized to operate with in our State. A variety of procedures are employed to determine customer needs and expectations. These include:

- Workshops/Training classes
- Consumer Services Group
- Pipeline Safety group
- Publications/Public Service Announcements
- Formal Proceedings

Our agency through its membership and participation with organizations such as NARUC, South Eastern Association of Regulatory Commissions, American Gas Association, Federal Department of Transportation, Securities Exchange Commission, Federal Communication Commission, Federal Energy Regulatory Commission, Edison Electric Institute, American Institute of Certified Public Accountants, Financial Accounting Board, and the South Carolina Budget & Control Board learns and stays abreast of the dynamic and changing environment in which we work.

Although the Commission is restricted to providing actual assistance to customers of our jurisdictional utilities, the Commissioners and staff strive to provide assistance to all inquirers. In instances where the Commission does not have jurisdiction, the Commission makes every attempt to direct the inquirer to the appropriate local, state, or federal agency or to the appropriate company. The Commission often can direct the inquirer to the appropriate person in an organization. Such customer assistance can be provided because our employees consider their responsibilities to obtain knowledge of external sources that have responsibility for utility-related issues.

Information and Analysis:

Each department has its own measures for evaluating the effectiveness of the department and its employees. Most processes are formalized and some are dictated by statute.

Utilities Department

Program Costs: \$852,644

Program Goals: To fulfill the responsibilities of the Public Service Commission of South Carolina as provided for by the South Carolina Constitution and as vested with power and jurisdiction by the South Carolina General Assembly regarding electric, telecommunications, gas and water and wastewater utilities. To communicate information, and provide assistance to the Commissioners regarding current and evolving regulatory issues which have the potential to impact the public interest of the citizens of South Carolina.

Program Objectives:

1. Interact to a greater extent with regulated entities and other stakeholders concerning emerging issues.

2. Obtain additional training and information from external sources concerning emerging technical and policy issues.
3. Interact with greater extent with other PSC departments.
4. Electronic interaction with external groups such as NARUC, NRRI, etc.

Priority Ranking:

1. Fulfill the administrative responsibilities prior to a hearing such as noticing, assignment of filing deadlines and the preparation of the weekly agenda.
2. Provide staff assistance in the hearings in the areas of distribution of all case documents and testimony, reading the Docket and the swearing in of witnesses.
3. Conduct audits and analysis and provide proficient reports and testimony within the hearing process for general rate cases, electric fuel cases, purchased gas cases, complaint cases, and other cases.
4. Research and monitor rate trends, industry changes, and cost methodologies in today's competitive environment and report these findings to the Commission.
5. Assist the Commission's Consumer Services Department with the resolution of consumer complaints from utility customers throughout the State.
6. Audit statewide utility offices to substantiate compliance with Commission's Rules and report these findings to both the Commission and the Commission's Consumer Services Department.
7. Provide assistance and data to other regulatory bodies, consultants, lawyers and inquiring citizens throughout the United States regarding recent Commission decisions and trends affecting ratepayers in South Carolina.
8. Fulfill the obligation as the oversight agency to implement and monitor the Telecommunications Relay Service for the State of S.C.

Performance Measures:

Workload Indicators:

ELECTRIC	
4	Companies rated and reviewed
36	Compliance Audits statewide

GAS	
4	Companies rated and reviewed
27	Compliance Audits statewide

TELECOMMUNICATIONS	
27	Local Exchange Companies rated and serviced
189	Competitive Local Exchange Companies
507	Interexchange Carriers
1281	Payphone Service Providers (PSPs)
59	Compliance Audits statewide

WATER AND WASTEWATER	
73	Water and Wastewater Companies rated and serviced
75	Compliance Audits statewide

Efficiency Measures:

ELECTRIC	
13	Hearings held
55	Orders issued
27	Compliance Audits completed

GAS	
6	Hearings held
21	Orders issued
18	Compliance Audits completed

TELECOMMUNICATIONS	
117	Hearings held
562	Orders issued
59	Compliance Audits completed
773	Tariff Revisions Processed

WATER AND WASTEWATER	
16	Hearings held
65	Orders issued
123	Compliance Audits completed

Outcomes: Twenty-one (21) of the audits indicated non-compliance of Commission rules, regulations, and tariffs. The companies were notified and corrective action was taken.

Utilities Department/ Pipeline Safety

Program Costs: \$ 213,667

Program Goals: To carry out, support, encourage, develop, and enhance pipeline safety through federal/state pipeline safety programs.

Program Objectives: Conduct sufficient on-site inspections of gas and liquid facilities to determine compliance with state and federal safety regulations and carry out a cooperative program of assisting jurisdictional system operators to achieve compliance. Initiate compliance action as needed.

Priority Ranking:

1. Conduct on-site inspections of gas pipeline facilities to monitor for compliance with the safety regulations.
2. Take enforcement action, when needed to insure compliance and to protect lives and property from potential harm.
3. Assist jurisdictional operators to achieve compliance with the safety regulations.
4. Conduct investigations of accidents to prevent their recurrence.
5. Assist in promulgating new or amended safety regulations when needed

Performance Measures

Workload Indicators:

- 306 person days spent on inspections of gas and liquid pipelines and liquefied gas plants. 254 inspections were made of the 117 inspection units.

Outcomes: The inspections revealed 22 gas non-compliance violations. These violations were reported to the companies and appropriate corrective actions were taken.

Consumer Services Department

Program Costs: \$260,878

Program Goal: The Consumer Services Department Staff will receive consumer complaints, inquiries, and comments concerning the utility and transportation companies regulated by the Commission. All complaints and inquiries will be investigated and processed in accordance with the Commission's rules, regulations, and guidelines. The department staff will also provide the public with consumer information and education.

Program Objectives: Address consumer complaints, inquiries and comments; provide educational information and materials to consumers; conduct on-site inspections of facilities serving consumers, conduct water meter tests, and witness electric and gas

meter tests performed by utilities; mediate complaint conferences between consumers and utility or transportation companies; conduct regularly scheduled meetings with regulated entities concerning consumer related issues; review, analyze, and report complaint trends; testify before the Commission on consumer related issues; provide assistance to the Commissioners, Commission's staff and the public regarding current and evolving regulatory issues which have the potential to impact the interest of the consumers of South Carolina.

Priority Ranking:

1. Investigate customer complaints and inquiries concerning the utility and transportation companies regulated by the Commission in accordance with the Commission's rules, regulations, and guidelines.
2. Mediate complaint conferences between consumers and utility or transportation companies.
3. Perform on-site inspections of the utilities' facilities serving the consumer, conduct water meter tests and witness electric and gas meter tests performed by the utilities.
4. Provide consumer information and education materials to the public.
5. Monitor complaint trends that are identified through consumer contacts to the consumer services department and report findings to the Commission and the Commission staff.
6. Conduct regularly scheduled meetings with regulated entities to discuss consumer complaint trends.
7. Conduct meetings with the utility and transportation companies concerning processing and addressing consumer complaints and inquiries.
8. Provide testimony in the public hearing process for consumer related regulatory issues.
9. Assist Commission and Commissioners in the review and development of policy regarding consumer related regulatory issues.
10. Continue to monitor department's Consumer Tracking System to record and report consumer contacts which identify company complaint trends.

Performance Measures:

Workload Indicators

- Received 37,674 WATS line (toll free) calls from consumers within South Carolina.
- Processed 4,798 complaints and inquiries, and provided responses of the investigation findings.
- Conducted 42 meter tests in the investigations for electric, gas, and water utility customers complaints.
- Conducted 34 on-site inspections with utility customers at point-of-interest locations to discuss and address complaints, inquiries and disputes.
- Conducted 3 informal complaint conferences between consumers and companies.
- Distributed approximately 8,700 consumer education and information brochures through participating in the State Fair and the Palmetto Sportsman Classic.

- Made available through the Commission's web site consumer information and education was to help consumers understand their rights as utility customers and to educate consumers about utility issues, services, and available programs for low-income telecommunications consumers.
- Held a joint conference with the S.C. Telephone Association and its members to discuss and implement more efficient complaint/inquiry processing procedures.
- Held 16 meetings with regulated utility companies on consumer related issues.
- Conducted 10 scheduled conference Calls with MCI to discuss escalated consumer issues which has resulted in a decline in its complaint numbers after the Company implemented actions to address escalated customer service problems
- Throughout each month, communicated with the University of South Carolina's computer staff to address issues involving the Consumer Tracking System for accurate recording and reporting of consumer contacts which identify company complaint trends

Outcomes: As a result of staff's complaint investigations, \$256,966 in credits and refunds were recovered for utility and transportation customers. A \$50,000 voluntary agreement was reached with a telecommunications provider as a result of staff's petition to the Commission for Rule to Show Cause proceeding regarding a telecommunications long distance reseller for violations of Commission's rules and regulations. Utility consumers are provided with the information necessary to understand their rights and the process for submitting and resolving complaints. Consumers are provided with information to educate them about changes in the utility industries and the services they provide. Telecommunications consumers are made aware of service programs available for low-income households. As a result of the efforts of the Consumer Services Department, consumers are provided with the information to make better decisions and are assisted in resolving complaints.

Transportation Department

Program Costs: \$606,306

Program Goal: To minimize the unauthorized "for hire" use of motor vehicles on the public highways of this state. To assist all "for hire" motor carriers in bringing their companies into compliance with the laws regulating the hauling "for hire" of passengers, household good and hazardous waste for disposal or any other item or article which falls under the purview of this Commission's authority. To carry out, support, encourage, develop, and enhance railroad safety through federal/state railroad safety programs.

Program Objectives: To provide the state with a well-regulated and safe transportation system which can provide all needed transportation services at a reasonable cost and operate within the motor vehicle laws and the rules and regulations of this Commission. Conduct sufficient on-site inspections of railroad facilities to determine compliance with state and federal safety regulations.

Priority Ranking:

1. To accommodate the carriers that contact our agency to apply for authority, seek additional time to comply with all Commission rules and regulations, or to purchase decals.
2. To monitor carrier activity statewide and nationwide.
3. Identify existing needs/requirements of our customers in order to bring them into compliance or maintain compliance status.
4. Assist and advise customers regarding Commission rules and regulations as well as application and decal processes.
5. Perform investigations, issue warnings, citations and warrants, and generally advise carriers of the importance of operating legally.
6. Conduct on-site inspections of railroad facilities to monitor for compliance with the safety regulations.
7. Take enforcement action, when needed to insure compliance.
8. Conduct investigations of accidents to prevent their recurrence.
9. Assist in promulgating new or amended safety regulations when needed.

Performance Measures:**Workload Indicators**

- 9 authorized positions for law enforcement officers
- 360 inspections of vehicles per month
- 9 inspectors are given a goal of 2 inspections per day worked
- Issues citations, warnings and/or warrants of arrest to carriers found to be operating with no intrastate authority or certificated carriers found to be in violation of Rules and Regulations of the Commission.
- Enforcement officers respond to complaints filed by the public and complaints filed by certificated carriers.
- Department staff assists the regulated carriers and the general public with regard to various motor carrier issues.
- Issues certificates of Public Convenience and Necessity and Fit, Willing and Able to intrastate motor carriers after proving that they are fit, willing and able as determined by the Commission.
- Issues license decals for commercial vehicles holding Class A and Class C certificates of Public Convenience and Necessity operating in this state.
- Schedules hearings as needed to address various transportation matters.
- Reviews all rates with regard to new applications, tariffs on file for certificated carriers and applications for rate increases to determine if the rates are fair and provide adequate compensation to allow continued service.
- Conducts complaint and compliance audits of “for hire” motor carriers as deemed necessary by the Transportation Department
- 1 authorized position for railroad MP&E inspector
- 1 authorized position for railroad track inspector

Efficiency Measures

- 9,406 inspections of vehicles by 9 enforcement officers
- 128 citations/warrants were issued or taken out with assessed fines of \$30,908

- 103 warnings were issued by enforcement officers
- 110 responses to complaints were reported by the department
- 1081 assists to regulated carriers and the general public with regard to various motor carrier issues
- 244 certificates of Public Convenience and Necessity and/or certificates of Fit, Willing and Able were issued to intrastate carriers of passengers, household goods and hazardous waste for disposal after proving that they are fit, willing and able as determined by the Commission
- License decals issued for commercial vehicles holding Class A and C Certificates of Public Convenience and Necessity operating in this state, producing \$110,133.16 in revenues.
- 22 hearings were held concerning various transportation matters
- 7 rate increase applications handled by the department
- 15 complaint audits performed on transportation companies
- On-site inspections of 2,410 miles of railroad track and 6,092 pieces of rolling equipment were performed
- 2,663 record inspections were done
- 53 air brake and single car tests were performed
- 106 blue signals inspections were done
- 135 roadway workers inspections were performed

Outcomes: The Transportation Department found 128 transportation companies to be out of compliance with Commission rules and regulations during this period. All complaints were worked satisfactorily within the Commission guidelines during the period. The Rail Safety inspections revealed 9 railroad violations. These violations were reported to the companies and appropriate corrective actions were taken.

Auditing Department

Program Cost: \$546,887

Program Goal: The Auditing Department will analyze and review; testify, communicate information; aid and assist the Commissioners, Commission Staff and the public regarding current and evolving regulatory issues which have the potential to impact the public interest of the citizens of South Carolina.

Program Objectives: The Auditing Department will interact with regulated entities and all other stakeholders concerning new and emerging issues that will have an effect on regulation. The Accounting Department will also obtain needed additional training and information from outside sources concerning new and emerging technical, accounting and policy issues. In addition, the Accounting Department will interact with a greater extent with the other Public Service Commission departments; thereby utilizing more of a team concept. Also, the Auditing Department will implement the use of Personal Computers in the Accounting Department.

Priority Ranking:

1. Aid in identification of developing, evolving and current regulatory issues impacting on the citizens of South Carolina. These would include issues such as the Universal Service Fund, Interim LEC Fund and Deregulation of the Electric Industry.
2. Provide the Commissioners and Staff with assistance in understanding the impact of regulatory issues that may impact on the citizens of South Carolina.
3. To conduct audits of the books and records of regulated companies, issue reports based on such audits, and sponsor testimony in hearings before the South Carolina Public Service Commission.
4. To collect and gather data needed to compute the Gross Receipts taxes required to operate the South Carolina Public Service Commission and to interact with the Department of Revenue in the billing and collection of such taxes.
5. To gather and collect financial information on regulated companies in order to complete reports required by the Commissioners, Regulatory Groups, Utilities and all other parties requesting such information.

Performance Measures:**Workload Indicators**

- Audited regulated companies requesting changes in their rates and tariffs, Reviews of Electric Companies' Fuel Clauses, Gas Companies' PGA, and Compliance Audits of Regulated Companies to determine compliance with rules and regulations of the South Carolina Public Service Commission. The Audit Department also does desk reviews of all TEDP payment request made by the South Carolina Association of the Deaf. In addition, the Audit Staff, on an annual basis, audits the books and records of Chem Nuclear. This audit is the result of State Legislation.
- Issued reports and testimony in hearings held before the South Carolina Public Service Commission.
- Calculated and developed the Commission ordered Interim LEC Fund. The Audit Department calculated the liability of the funding companies, developed the billing procedures and managed its implementation, followed up on any and all complaints arising from the Fund, audited all the information furnished by the Local Exchange Carriers and developed a bookkeeping systems used to oversee the Fund.
- The Audit Department has collected financial information used to develop the PSC's annual reports.
- Financial information has been collected in order to compute the annual gross receipts taxes and has interacted with the Department of Revenue in its billing and collecting of such taxes.
- The Audit Department has overseen the filing of annual reports by all regulated companies. This would include both Utilities and Transportation Carriers regulated by the South Carolina Public Service Commission. In addition, the Audit Department has improved the design of a number of Utility Annual Reports.
- The Audit Department has worked with the Financial Committee of the

South Carolina Public Service Commission in the review of all financing agreements filed with the Commission.

- Participated with other state and federal commissions in the auditing of multi-state utilities.
- Attended seminars and conferences that have aided the staff members to stay current with changes in the accounting industry and evolving changes in the regulatory industry.
- Attended staff conferences in order to help other departments at the South Carolina Public Service Commission in solving problems that arise with regulated companies.
- Assisted the Legal Department with the issuing of orders arising from rulings of the South Carolina Public Service Commission.
- Assisted the Legal Department by reviewing the financial statements filed with all request to perform telecommunications services, such as long distance service.

Efficiency Measures

- Electric audits, 3 fuel audits performed and 1 rate case,
- Gas audits, 3 purchase gas audits performed,
- Telecommunications audits (desk and field), 121 certificate desk audits performed, 15 annual compliance audits, and 25 Interim LEC Fund audits,
- Water and Wastewater audits, 5 rate case audits performed,
- Quarterly desk reviews for major utilities, 4 telephone reviews, 12 electric reviews and 12 gas reviews,
- Legislative ordered review of Chem Nuclear, 1 audit,
- Special audits of TEDP program, 12 audits.

Outcomes: The Audit Department has been able to provide the Commission with audited financial results that could be used by the Commissioners to make determinations that result on the rates and charges paid by rate payers in the State of South Carolina. Desk audits performed by the Audit Department on applicants requesting certificates to operate in the State have allowed the Commissioners the opportunity to have a confidence level in the financial stability of the applicant requesting the certificate. Financial audits, both field and desk, have been used by the Commission to determine if regulated utilities are earning in excess of their authorized rates of return. The Audit Staff's audit of Chem Nuclear was use by the Commission to determine the appropriate expenses allowed in the determination of an appropriate operating margin for Chem Nuclear as of its year end operations at June 30, 2001. The Audit Department was able to complete its workload during the 2000 year utilizing some 65% to 70% of the Staff's chargeable time to audit work. Historically, this is a very good percentage and compares well with past years. Audits, both desk and field, were up from prior years. In addition, the Audit Staff began to testify in hearings held before the Commission in which applicant's request authority to provide telecommunications service in the State. The added responsibility of filing testimony and testifying certainly added to the workload of the Audit Staff. This added responsibility of testimony also increased the audit work done by the Staff in preparing for these hearings. Also, the Commission ordered Interim LEC Fund has grown and this

growth has added to the workload of the Staff in audits to verify information filed with the Commission by the Incumbent Local Exchange Carriers.

The following is a comparison of prior year's total audits as they relate to total program costs for the Audit Department: 1997-cost per audit performed was \$3,337; 1998-cost per audit performed was \$3,559; 1999-cost per audit performed was \$3,686; and the 2000-cost per audit performed was \$2,556. The major reason for the reduction in program cost per audit in the year 2000 has to do with Staff's ability to perform a total of 202 audits as compared to the prior average of 144 audits done annually for the years 1999, 1998 and 1997.

Research

Program Costs: \$242,088

Program Goal: The Research Department conducts research; analyzes and reviews emerging issues; testifies in hearings; communicates information internally and externally; and to provides assistance to the Commissioners, Commission Staff and the public regarding current and evolving regulatory issues which have the potential to impact the public interest of the citizens of South Carolina.

Program Objectives: Provide policy input to the Commissioners regarding changing and evolving regulations in the electric, telecommunications, and natural gas industries. Interact to a greater extent with regulated entities and other stakeholders concerning emerging issues. Obtain additional training and information from external sources concerning emerging technical and policy issues. Interact with greater extent with other PSC departments. Electronic interaction with external groups such as NARUC, NRRI, etc. Implement a Personal Computer information system for the Department. Develop a comprehensive consumer education process.

Priority Ranking:

1. Identify developing, evolving, and current regulatory issues.
2. Provide the Commissioners and the Staff with information regarding regulatory issues specifically identified by the Commissioners and the Staff in the form of presentations, briefings, and written and oral reports.
3. Assist the Commissioners and the Staff in the review and development of policy regarding specific regulatory issues.
4. Research, evaluate, and provide testimony regarding policy for new and evolving issues that come before the Commission
5. Provide the Commissioners with any assistance requested to address regulatory matters such as participation in regulatory conferences, preparation of speeches, researching specific matters, etc.

Performance Measures:

Workload Indicators

- 1 presentation to Commissioners and general public on high-level nuclear waste

- 3 speeches prepared
- 2 testimonies prepared and presented as expert witness
- 1 research paper on merchant plants
- 3 NARUC national meetings attended
- 4 Nuclear Waste Strategy Coalition meetings attended
- 144 telephone conference calls (NARUC committees, NWSC)
- 15 letters to US Congress and Agency Secretaries prepared
- 2 NARUC reports (National Energy Policy, Comments to EIA on Data Confidentiality)
- 4 quarterly return-on-equity estimates prepared
- 3 utility finance proposal analyzed and presented to Commissioner
- Contract manager for consultant in Chem Nuclear Systems hearing

Program: Information Systems

Program Costs: \$359,359 – included in this amount is Data Processing equipment of \$193,227.

Program Goal: The Information Systems Department will provide technically advanced automation capabilities and support services to the Commissioners and all departments of the Commission.

Program Objectives:

- Provide advanced technical consulting to users in the selection, installation and application of computer hardware and software and in the design of data networks, and web sites.
- Evaluate information systems to determine if programming needs are being met, the systems are being used to their capacity, and users are adequately trained in operation procedures.
- Provide software support for the Commission and Staff with the Microsoft Windows operating system and Microsoft Office Suite; and any other authorized software the Commission may utilize.

- Coordinate training sessions so users can become knowledgeable of the software in use. Develop and prepare materials for user training.
- Respond to various requests requiring operator attention and/or intervention on an as needed basis. Provide specifications and instructions so users can operate programs and software in an efficient manner.
- Maintain and evaluate the agency websites for enhancements and work with users to ensure that relevant content is provided on the sites.
- Assess, select and recommend procurement of software and hardware necessary to meet agency needs.
- Prepare and file the Commissions annual Information Technology Plan.
- Act as Liaison between the Commission and other state agencies, federal agencies, state governments, and corporations in developing database and communication applications necessary for the electronic transfer of data. Supporting staff with accessing of electronic information through other government agencies and related organizations.
- Provide technical support for agency representatives to the S.C. Emergency Preparedness Division's Emergency Support Functions-12 (Energy).
- Analyze, design, test and implement database applications necessary to automate agency departments into fully integrated information technology systems.
- Perform daily backups of servers and user work files.
- Design and assist with preparation of presentations, hand-outs and brochures for the Commission as needed.
- Design and assist with preparation of various forms and templates.

Priority Ranking:

1. Provide software and hardware support to the Commission and Staff.
2. Maintain and upgrade software and hardware.
3. Maintain and enhance the Commission's Internet website.
4. Evaluate and enhance information systems for maximum efficiency and use.

Performance Measures:

Workload Indicators:

- Responded to user support calls on a daily basis.
- Performed daily backups.
- Placed 9 manufacturer hardware warranty support calls.
- Purchased, configured and installed 9 desktop systems.
- Purchased, configured and installed 5 laptop systems.
- Attended 6 conferences and seminars.
- Attended 18 training classes.
- Assisted University of South Carolina Computer Service Division with implementation of a Complaints Tracking System for the Commission's Consumer Services Department.

- Assisted University of South Carolina Computer Service Division with development and implementation of a Docket Management System for the Commission.
- Implemented a user Help Desk to assist with problems in using PCs and installed software.
- Implemented One-on-One training sessions for specific applications.
- Developed Users Manual for Mail Merge.
- Implemented OMT (One Minute Training) program to apprise staff of useful tips and shortcuts via e-mail and website.
- Redesigned and enhanced the Commission's Website.
- Upgraded all user PC's to MS Office 97 SP-2, Outlook 2000 and IE 5.0.
- Upgraded web server to IIS 4.0.
- Upgraded email server to Exchange 5.5 SP 3.
- Upgraded Alpha NT server to NT 4.0 SP 4.
- Prepared numerous brochures and booklets for various departments.
- Directed and completed the Commission's Y2K compliance efforts.
- Acted as the Commission's liaison with the utilities and other agencies concerning their Y2K compliance.

Outcomes:

- The Information Systems Department provides and maintains the necessary technological resources to enable the Commission and Staff to carryout its functions and responsibilities. Improvements to the Docket Management System provide online access to docket information for the Commission employees. Future improvements will allow the public to access this information electronically. A customer complaint tracking system was developed for the Consumer Services Department. This system provides for better customer service and trend analysis. Also, a new and more efficient network, including workstations, was installed.

Program: Legal

Program Costs: \$344,772

Program Goals: The Legal Department exists to reduce to writing the oral decisions of the Commission, while advising the Commission, when appropriate, on the laws and policies of the State of South Carolina and the United States, pertaining to the regulation of the utility and transportation industries, and while representing the Commission Staff in proceedings before the Commission, and defending the Commission's positions and its Orders before the Courts, and providing legal information and assistance to the Commission Staff and other interested persons with regulatory matters.

Program Objectives: To properly set out in writing the decisions of the Commission. To provide appropriate consultation to the Commission and Staff on all laws and

regulations pertaining to the utility and transportation industries. To keep a current knowledge as much as possible of such laws and regulations. To provide representation to the Commission Staff in hearings before the Commission. To provide representation of the Commission's positions before all State and Federal Courts.

Priority Ranking:

1. Compose written Commission Orders.
2. Provide representation of Staff before the Commission in Commission hearings.
3. Provide representation of the Commission in Court proceedings.
4. Advise Commission and Staff on current legal issues.
5. Keep a current knowledge of the law in the area.

Performance Measures:

Workload Indicators

- Composed and drafted 765 Orders for the Commission.
- Participated in 173 hearings and 47 Commission meetings before the Public Service Commission.
- Presently defending the Commission's position in 16 cases in State and Federal Courts.
- Engaged in daily multiple conversations and e-mail on a variety of regulatory topics with Commission Staff members and the public and render a multiplicity of daily legal opinions on same.
- Developed further regulations for the Transportation Department and the Utilities Department.

Outcomes: The Orders prepared by the Legal Department are the official and legal determinations of the Commission to which the regulated companies must comply. The trend has been an increase in the number of Orders drafted. Also, the number of Commission hearings increased over past years as well. There does appear to be a downward trend in the number of judicial review actions before the State Courts, and actions before the Federal Court, with 25 cases in existence in 1999 and 16 cases in existence in 2001. This may be an indication that fewer Commission Orders are being appealed or that fewer Orders are being accepted by higher level courts in the appeals process.

Human Resource Focus:

The Commission utilizes several recognition programs to honor and draw attention to employees who contribute to the success of the Commission. Recognition efforts normally involve openly giving praise, granting non-monetary awards, and noting individual or group successes. These initiatives seek to enhance employee motivation. Rewards are related to recognition but generally involve monetary awards, such as pay for performance and bonuses. The Commission also allows employees to participate on special projects designed to help develop their potential.

Training activities are directly related to agencies' goals and objectives and that training includes a variety of activities: such as formal classes, professional seminars and

conferences, and self-study. Our work is accomplished through the cumulative effort of our employees, so investment in our people is wise and necessary. We commit to continuous lifelong learning to develop our skills and abilities toward on-the-job application and creation of an excellent workplace. We encourage and support each individual in developing to the full extent his or her ambition, commitment, and ability to meet current and future agency needs." The primary goal is to provide training in areas where deficiencies exist in order to improve job performance and to develop skills to meet future agency needs. An individual employee's role is paramount in identifying training needs and appropriates opportunities. Individuals identify and assess personal development needs; consult with supervisors about development plans and needs; help identify opportunities; and negotiate plans annually. Supervisors are responsible for effective resource development and utilization. A formal comprehensive new employee orientation program is presented on the first day of work.

The employee performance management system by design increases the overall efficiency of the Commission by helping each employee improve his/her own performance. The EPMS assist management in assigning work and delegating responsibilities based on a mutual understanding of the employee's skills and abilities. Managers initially meet with employees to discuss the position description and how it relates to the employee's job duties/objectives for the upcoming year.

A physical facility and ADA audit has been completed. A system exists to monitor the safety program, to correct deficiencies and ensure that all policies are followed. Safety and health policies and procedures are communicated to all employees.

Process Management:

Most of the processes utilized by the Commission are dictated by statute or regulation. Whenever a party desires a hearing before the Commissioners, the party must file a formal application requesting a hearing. The Legal Department reviews the application to ensure that it complies with all legal requirements. Once the Legal Department accepts the application, the application is brought before Commissioners at the Commissioners' Meeting for approval to begin the notification process. The application must be noticed in newspapers in the affected areas, dates are set for intervention, dates are set for the filing of testimony, and a hearing date is set. Discovery, information requests, and interrogatories follow the procedures set forth in the Code of Laws of South Carolina. A hearing before the Commissioners is held, and a court reporter transcribes the proceeding. Parties generally file legal briefs or proposed orders shortly after the hearing transcripts are released to the parties. The Commissioners will render their decision at a Commissioners' Meeting, and the Legal Department will write an Order. Any party to the hearing can ask the Commissioners to reconsider their decision and can appeal the decision to the Appellate Court. This process most often applies to our jurisdictional utilities.

Customer complaints generally begin with a call or letter to the Consumer Services Department. Once a complaint is received by the Consumer Services Department, a complaint form is completed and a representative is assigned to the case. The representative contacts both the complainant and the company against which the complaint is filed to gather information. The representative then makes a finding based

on the Commission's rules and regulations. If either the complainant or the company is not satisfied with the representative's finding, the representative often tries to get the complainant and the company together to mediate a resolution. If either the complainant or the company asks for a hearing, the process is basically the same as described above.

Audits are performed under auditing guidelines. The audits performed by the Auditing Department require strict adherence to auditing standards. Audits performed by the Utilities Department are not as strict or formalized, but tend to follow basic standard procedures.

The inspectors follow both State and Federal standards for performing inspections. Not only are the items to be inspected specified, but the number of inspections is specified also. Pipeline inspectors must attend the Transportation Safety Institute in Oklahoma to become certified. The Office of Pipeline Safety reviews the Commission's pipeline safety program annually. Railroad inspectors must be certified by the Federal Railroad Administration. The railroad inspectors must also complete annual training to maintain their certification. All household goods inspectors must attend the Criminal Justice Academy to become certified. These inspectors must attend annual classes on topics such as domestic violence and receive annual certification in firearms to retain their certification as inspectors. All of the inspectors follow standardized procedures developed by the federal and state agencies and this Commission.

All of the processes utilized by Commission employees must be carefully followed. Failure to adhere to the processes can result in Commission decisions and actions being overturned by the Appellate Court. Decisions or actions that may be overturned for failure to follow procedures could place the public or a company at risk for safety concerns or for some financial liability. To ensure strict adherence to rules, regulations, and procedures, documentation through a paper or electronic trail is required.

Results:

As a regulatory agency, it is very difficult to measure the level of customer satisfaction. The Commission's statutory mandate is to balance the interests of the companies over which we have jurisdiction and the ratepayers. Most of the time the interests of the companies and the interests of the ratepayers will be in opposition to each other. Perhaps the best indicator of customer satisfaction is the number of Commission Orders that are appealed to the Appellate Court or the number of appealed Orders that the Appellate Court accepts. Because some party is virtually always in disagreement with a Commission Order, most Commission Orders do get appealed. Currently, our Legal Department is defending 16 Orders in state and federal courts compared to 25 orders last year.

Each department has specific responsibilities that contribute to meeting the overall mission of the Public Service Commission. Some departments have a limited number of quantifiable performance measures. Performance measures for specific departments are shown in the following tables.

The Consumer Services and Transportation Department Staff of The Public Service Commission will receive consumer complaints, inquiries concerning the utility and transportation companies regulated by the Commission. The ability of the department employees to respond to walk-in and telephone solicitation is an integral part of our daily activities.

Outcomes

	1999-2000	2000-2001
Calls Received	29,134	37,674
Complaints Processed	4,168	4,798
Credits/Refunds	\$366,388	\$256,966

The Commission seeks to insure that all regulated entities' services to consumers comply with all legal requirements subject to the Commission's jurisdiction.

<u>Utilities Department</u>	1999-2000	2000-2001
Compliance Audits	493	481
Non-Compliances	82	43

<u>Transportation Department</u>	1999-2000	2000-2001
Inspections	4,499	9,406
Citations/Violations	113	137
Assessed Fines	\$27,265	\$30,908

We would like to see the number of complaints processed decline. However, as the utility industry becomes more competitive and complex, the number of complaints is likely to increase. The fact that the amount of refunds and credits associated with the complaints declined as the number of complaints increased may be an indication that the companies are providing better service and making fewer mistakes. We are pleased that the number of violations derived from audits declined by nearly 50 percent this year. This indicates that the companies are more aware of their requirements and are trying to implement the requirements properly. We are also pleased that the number of violations cited by our transportation inspectors and the associated fines increased only slightly while the number of inspections more than doubled. It appears that the "for hire" carriers are performing at a higher level of conformity to our rules and regulations than in the past.

The Commission's total budget increased from approximately \$5.7 million in fiscal year 1999-2000 to approximately \$6.4 million for fiscal year 2000-2001. The number of Full-Time-Equivalent (FTE) employees increased from 75 on June 30, 1999 to 83 on June 30, 2000 to 84 on June 30, 2001. Only 80 FTEs were actually employed on June 30, 2001 with 4 positions vacant. The personal service category of the budget increased from approximately \$3.6 million in fiscal year 1999-2000 to approximately \$3.9 million for fiscal year 2000-2001. Fringe benefits increased from approximately

\$0.9 million in fiscal year 1999-2000 to approximately \$1.0 million in fiscal year 2000-2001. Total expenditure per average number of FTE increased from approximately \$72,504 in fiscal year 1999-2000 to approximately \$76,605 in fiscal year 2000-2001. However, if only the personal service and fringe benefit categories are considered, the expenditure per FTE drops to approximately \$56,017 for fiscal year 1999-2000 and to approximately \$58,259 for fiscal year 2000-2001. The Commission appears to be a good financial steward. Included in the small increases in FTE expenditures are a legislatively mandated cost-of-living increase, a merit increase from some employees, and promotions.